

UNITED STATES FEDERAL COMMUNICATIONS COMMISSION

In re:)
SBC - AMERITECH PUBLIC)
FORUM)

98-141

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1220 L Street, N.W., Suite 600
Washington, D.C. 20005-4018

(202) 628-4888

hrc@concentric.net

Before the
FEDERAL COMMUNICATIONS COMMISSION

In re:)
)
SBC - AMERITECH PUBLIC)
FORUM)

Commissioners Meeting Room
The Portals
445 Twelfth Street, S.W.
Washington, D.C.

Thursday,
May 6, 1999

The parties met, pursuant to Notice at 10:30 a.m.

APPEARANCES:

On Behalf of the FCC:

ROBERT ATKINSON
Deputy Chief, Common Carrier Bureau

KRATTENMAKER
Director of Research, Office of Plans and Policy

On Behalf of SBC:

PAUL MANCINI
General Attorney/Assistant General Counsel

On Behalf of Ameritech:

DICK HETKE
General Counsel

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APPEARANCES (CONTINUED)

Speakers:

GEORGE HERRERA
U.S. Hispanic Chamber of Commerce

MARK ROSENBLUM
AT&T

STEVE AUGUSTINO
Alarm Industry Communications Committee

LEON M. KESTENBAUM
Sprint

GERRY SALEMNI
NextLink

JONATHAN SALLETT
MCI

DAVID NEWBURGER
Campaign for Telecommunications Access

MAX J. STARKLOFF

MARK BOECHEL
Supra Telecom and Information Systems

H. RUSSELL FRISBY, JR.
CompTel

BRIAN R. MOIR
International Communications Association

LYNN DANGTU
Vietnamese-American Chamber of Commerce
of Southern California

MICHAEL METZLER
Santa Ana Chamber of Commerce

WENDY YOO
Korean American Federation of Orange County

STAN OFTELIE
Orange County Business Council

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APPEARANCES (CONTINUED):

Speakers (Continued):

DALORES DAVIS PENN
Missouri Center for Minority Health and Aging

RALPH PUGH
Hispanic Chamber of Commerce
of Orange County, California

BEA BACON
National Silver Haired Congress

ROY NEEL
USTA

MARK COOPER
Consumers Federation of America

JUDY McCALLUM

LOUIS McALLISTER
Southwestern Bell Telephone Pioneers of America

RON BINZ
Competition Policy Institute

ERIC BRANFMAN
CoreComm
Swidler Berlin

DOUG LAWRENCE

ROBERT McCAUSLAN
Allegiance Telecom

DAHLIA HAYLES
Rainbow PUSH Coalition

JIM GRAY
Oklahoma Indian Times

LEE RUCK
NATO

BARBARA EASTERLING
Communications Workers of America

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APPEARANCES (CONTINUED):

Speakers (Continued):

ANGELA LEDFORD
Keep America Connected

JEFF SMITH

PATRICIA T. HEUDEL
National Association of Commissions for Women

MIKE C. TURPEN
SBC

DENNIS THOMAS

NEIL F. HARTIGAN
SBC - Ameritech

DAVID KUMAR SINGH
IWAYNet Communications

DR. ROBERT G. HARRIS

HOWARD BEDLIN
National Council on Aging

TOM KOUTSKY
Covad

REV. EDWARD E. FIELDS

ROBERT KRANDALL
Bell Atlantic
Brookings Institute

P R O C E E D I N G S

10:30 a.m.

MR. ATKINSON: Good morning and welcome to the Common Carrier Bureau's forum on the proposed merger of SBC and Ameritech. I am Bob Atkinson, Deputy Chief of the Common Carrier Bureau. I am joined this morning by, on my left, Tom Krattenmaker, Director of Research of the FCC's Office of Plans and Policy. I should also note that Tom is the former dean of the College of William and Mary's Law School and a noted anti-trust and competition law expert.

And just in time, to Tom's left is Paul Mancini, General Attorney and Assistant General Counsel of SBC. And to Paul's left is Dick Hetke, Counsel for Ameritech.

First of all, on behalf of Tom, myself and the rest of the FCC staff that has been working on this issue over the last few weeks, I would like to express our thanks and compliments to Paul, Dick and their colleague, Jim Smith from Ameritech Ohio for the long work, the very professional attitude, the good humor at times and just the excellent overall relationship that's developed over the last few weeks.

It's been -- it's been a tough job and a lot has been accomplished. There is still work that has to be done, but I am looking forward to working with these gentlemen over the next few weeks to get that done.

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1 I should note that this is a bureau-level forum.
2 Tom and I speak for ourselves and the staff which we lead.
3 We do not speak for the Commission or any Commissioners.

4 So why are we here today? Well, the basic answer
5 is Chairman Kennard's April the 1st letter kicked off this
6 process. He sent that letter on April the 1st to the CEOs
7 of SBC and Ameritech. Prior to sending that letter, the FCC
8 staff working on this merger case had advised Chairman
9 Kennard that the -- that its analysis indicated that the
10 proposed merger raised a number of significant issues with
11 respect to public interest harms and questions about the
12 claimed competitive and consumer benefits.

13 Mr. Krattenmaker will review this staff analysis
14 in a few moments. But based on their analysis, the FCC
15 staff was working on a recommendation that the merger
16 application be designated for a full hearing before the
17 Commission. Chairman Kennard thought that another option
18 would be desirable.

19 Assuming that the applicants were willing to do
20 so, Chairman Kennard directed the staff to meet with the
21 applicants to determine if it would be possible to craft
22 conditions that addressed the public interest, concerns
23 identified by the staff; hence, the April the 1st letter
24 inviting the applicants to meet with staff to explore the
25 possibility of conditions.

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1 The applicants agreed to meet with the staff and -
2 - for the purpose of exploring these -- the possibility of
3 conditions, and meetings began on April the 8th. The
4 typical schedule over the last four weeks has been for the
5 FCC staff to meet with the applicants on Monday, Tuesday and
6 Wednesday, and then with other parties who have views on
7 this matter on Thursdays. On Fridays, we either rested or
8 did our regular jobs.

9 Today's forum reflects Chairman Kennard's
10 insistence that any conditions regarding this merger must be
11 reached on a cooperative and a public basis. The need for
12 the staff and the applicants to have frank and open
13 discussions needs to be balanced with the need to involve
14 the public.

15 Therefore, in addition to this forum which is
16 intended to provide the public with a status report, each
17 meeting that we have held with the applicants or other
18 parties has been summarized in ex parte filings that have
19 been included in the public docket file. And for your
20 reference, that docket file is CC Docket 98-141. And I
21 would recommend that any interested party review that ex
22 parte file.

23 The agenda for today and -- and tomorrow, first we
24 will provide a status report on the discussions. Tom
25 Krattenmaker will summarize the staff's analysis of the

1 proposed merger and the public interest concerns it raises.
2 And I will outline the principles and goals that have guided
3 the staff's thinking during these discussions over the last
4 few weeks.

5 Mr. Mancini and Mr. Hetke will then explain their
6 view of the public interest aspects of the proposed merger.
7 And they will also summarize briefly the areas in which we
8 have held discussions regarding possible conditions that
9 they may wish to propose.

10 Following the applicants' presentations, we will
11 seek comments from today's audience. First, as a courtesy,
12 we will ask any other government officials to offer their
13 views. Then we will invite members of the public to speak
14 in accordance with the ground rules that Mr. Krattenmaker
15 will review a little later.

16 We will break for lunch at approximately noon and
17 reconvene one hour later, and then close the forum no later
18 than 5:00 p.m. today. We will reconvene tomorrow at 9:00
19 a.m. and continue until noon at the very latest.

20 With that, I would like to turn the forum over to
21 Tom Krattenmaker.

22 DR. KRATTENMAKER: Thank you, Bob. Good morning.
23 Thanks for coming. We are here to talk about conditions.
24 But in order to talk about conditions, we first have to know
25 something about the matter that might be conditioned.

1 And I want to speak to you a while about who,
2 what, how and why -- who are these parties; what kind of
3 proceeding do we have here; how are we going to proceed --
4 more specifically, how do we apply the public interest test;
5 and why -- why has the staff tentatively concluded that the
6 merger raises sufficient problems that there should at least
7 be a discussion of conditions.

8 And I want to say, again, as Bob said, that in
9 providing you this overview, I am speaking for the merger
10 review staff and not for the Commission or for any
11 Commissioner including the Chairman.

12 Who. There are two parties here that have filed
13 an application for license transfer. SBC, which is the
14 local phone company in most of eight states -- Texas,
15 Oklahoma, Arkansas, Missouri, Kansas, California, Nevada and
16 Connecticut -- and Ameritech, which is the basic local phone
17 company for most people in the states of Wisconsin,
18 Michigan, Illinois, Indiana and Ohio.

19 The license transfer application is to transfer
20 Ameritech's licenses to SBC as SBC merges with or takes over
21 Ameritech. Some more information on these firms: If
22 combined, the company would have 46 billion dollars in
23 annual revenues as of year-end 1998; would have been the
24 second largest telecom company in the country behind only
25 AT&T, measured by revenues.

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1 The combined SBC firm would control access to 58
2 million local telephone lines, approximately one-third of
3 all telephone lines in the country from California to
4 Connecticut. These are the lines that are used to provide
5 your local telephone service and they are also used to place
6 and to receive long distance calls.

7 The combined company would have a net income of
8 7.6 billion dollars and a market capitalization greater than
9 150 billion dollars which puts it in a league with AT&T, TCI
10 and MCI Worldcom. The combined firm would have more than
11 200,000 employees. That single company would have more than
12 a hundred times as many employees as the FCC. So if this
13 merger does go through and your phones don't work, please
14 call them. They're more likely to be able to fix it.

15 Now, big is not bad, but size is noteworthy. This
16 would be a large item. A little more background: Both SBC
17 and Ameritech are creatures of the breakup of the Bell
18 System. Some of you are in the happy position of being
19 young enough that you don't remember that before 1980, one
20 company accounted for over 80 percent of all local phone
21 lines in this country and also dominated long distance
22 provision. And that company was the Bell System.

23 In 1982, federal policy shifted and we divorced
24 long distance and local service providers. As a result of
25 that, AT&T became one company and its then local phone

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1 companies became seven, oftentimes referred to -- and I will
2 oftentimes use the phrase the Baby Bells.

3 The result of this breakup -- the immediate result
4 of this breakup was to increase extraordinarily competition
5 in long distance service and to drive long distance prices
6 through the floor and then through other floors and through
7 more floors. We're already down below the sub-basement and
8 hopefully still falling.

9 Subsequent to that breakup of the Bell System, SBC
10 bought one of the other Baby Bells, PacTel. That's how it
11 acquired the California and Nevada phone customers. And
12 Bell Atlantic, another one of the Baby Bells, bought NYNEX
13 which is basically New York and New England. So there are
14 now five instead of seven Baby Bells. This merger would
15 take it to four.

16 Now, what I call the Baby Bells are not the only
17 existing local phone companies. For example, GTE has
18 substantial presence throughout the country. There are
19 independent local phone companies in, for example, Rochester
20 and Cincinnati. And there used to be an independent phone
21 company in Connecticut. But SBC owns that one now.

22 That's a little bit of the who. What. This is a
23 proceeding at the FCC concerning the request -- joint
24 request by SBC and Ameritech for the FCC to approve the
25 transfer of various operating licenses that Ameritech

1 possesses to SBC.

2 Our statute, our charter, the Communications Act
3 of 1934 as amended down to the present day, requires that
4 the Commission ascertain that such a transfer would be in
5 the public interest before it permits that transfer. And
6 this proceeding is to enable the Commissioners to make an
7 informed judgement as to whether the transfer would be in
8 the public interest.

9 I've talked then about who and what. Now let me
10 talk about how, how do we apply this public interest test.
11 To do so, we ask four simple questions. You might want to
12 take notes. I've been known to give pop quizzes before. If
13 there is a question as to how I'll allocate seats after
14 lunch, I think we might do it on the basis of how you do on
15 this test. It really won't be that hard to pass either.

16 Here are the four questions: 1) Would the license
17 transfer violate the Communications Act? That's the first
18 question we ask. To give you an example from another
19 merger, in the AT&T-TCI case, the question was raised of
20 whether the acquisition of TCI's cable properties by a phone
21 company -- at that point, AT&T had also bought TelePort.

22 So technically TelePort, a local phone company,
23 was acquiring TCI. Did that acquisition violate the
24 Communication Act's restrictions on local phone companies
25 purchasing the local cable company. It turned out in that

1 case the answer was no, but it was a square question of
2 whether the Act would have been violated by the license
3 transfer.

4 In the matter we have before us, there is an
5 analogous issue. The question has been raised as to whether
6 SBC's acquisition of Ameritech's alarm monitoring business
7 would violate a complex and I would say obscure -- but
8 without meaning to denigrate it -- provision of the
9 Communications Act.

10 The second question we ask is whether the license
11 transfer would violate FCC rules in applying our public
12 interest test. For example, in the AT&T-TCI merger, there
13 is a lengthy discussion of whether the absorption by AT&T by
14 TCI would lead to a violation of the Commission's rules that
15 protect cable systems' access to cable programming, the so-
16 called program access rules.

17 For an example in this merger, a question has been
18 raised as to whether the combination of SBC and Ameritech
19 would lead to a situation where in some local markets, the
20 combined entity's cellular phone holdings would exceed
21 limits established by FCC rules on how much local wireless
22 telephone spectrum any one firm may own.

23 Telecom cognoscente called this the spectrum cap.
24 In certain markets, principally in Ameritech's territory,
25 the combination of these two firms may lead the combined

1 firm to be over the spectrum cap, in violation of FCC rules.

2 The third question we ask under the public
3 interest test is would the license transfer substantially
4 frustrate or impair the Commission's ability to enforce the
5 Communications Act and to achieve the goals of that statute.

6 To take an example from another merger, sticking
7 with the same example, in AT&T-TCI, that merger, too, gave
8 us a situation in which the wireless properties would exceed
9 the spectrum cap. Conditions were negotiated that fixed
10 that problem so that in every market, AT&T, after the
11 merger, controlled an acceptable amount of spectrum under
12 the spectrum cap.

13 Nevertheless, the situation would still have
14 resulted that AT&T, which is one of the major, nationwide,
15 wireless PCS networks, would have had about an 18 percent
16 control of Sprint PCS wireless which is the other major,
17 nationwide PCS wireless network. The Commission concluded
18 that that would violate the Act.

19 The merger would not be permissible under the
20 public interest even though there was no violation of the
21 Act or the Commission's rules because it would frustrate or
22 impair the Commission's ability to enforce the Act and
23 achieve the goals of the Act by permitting the one major PCS
24 national network to have substantial control of the other,
25 and so required that there be an additional condition

1 divesting AT&T of its -- of its potential control over
2 Sprint.

3 With respect to this merger, I'm going to discuss
4 in a minute the kinds of issues that arise under this third
5 prong of the public interest test.

6 The fourth question we ask is whether the merger
7 promises to yield affirmative public interest benefits. For
8 example, in the AT&T-TCI case, the Commission concluded that
9 the combination of the two firms, AT&T and TCI, would create
10 an entity with greater ability and with much greater
11 incentive to offer competitive, local, residential phone
12 service in dozens, perhaps hundreds of markets where today
13 there is only one phone service provider.

14 In this case, in the license transfer in front of
15 us, SBC and Ameritech assert that after the merger, the
16 combined entity will enter 30 local markets outside the SBC-
17 Ameritech region where the combined firm can and will
18 compete vigorously in all product markets, business and
19 residential; and that that constitutes a substantial
20 affirmative public interest benefit.

21 This is the merger review proceeds here. To
22 review again, we simply ask four questions: Would the
23 license transfer violate the Commissions Act? Would it
24 violate any of the Commission's rules? Would it
25 substantially frustrate or impair the Commission's ability

1 to enforce the Act or to achieve the goals of the statute?
2 And would the merger promise to yield affirmative public
3 interest benefits?

4 FCC law requires that the parties, in wrapping
5 these four questions up as a group, affirmatively show that
6 the predominate effect of the license transfer will be to
7 advance the public interest. The burden of proof is on the
8 parties to show, for example, that there would not be a
9 violation of the Act and the burden of proof on the parties
10 to show that the net result will be positive.

11 As you can see, this is an inquiry that is guided
12 by the Commissions Act, the FCC's charter. It is not an
13 antitrust inquiry clothed in public interest rhetoric. It
14 is an inquiry into the meaning of the Commissions Act as it
15 applies to a proposed license transfer.

16 Now, as Bob Atkinson explained, this proceeding of
17 which we are now a part, talking about conditions for the
18 merger, began because the staff reviewing the application
19 had tentatively concluded that this proposed license
20 transfer, if not ameliorated by sufficient conditions,
21 flunks the public interest test that I just outlined.

22 I'm going to explain why in a very brief way. But
23 first I want to tell you why I'm reluctant to tell you why
24 we reached this tentative conclusion. Basically three
25 reasons. First of all, it is a tentative conclusion. We

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1 have not fixed our mind on these answers.

2 More importantly and secondly, the issues that
3 this case raises are complex. And I frankly believe that
4 merely summarizing them risks trivializing them. Finally,
5 and most importantly, our current mission and why we're here
6 today is to devise conditions that can transform the merger
7 to one that is on balance beneficial.

8 And I do not want to be misunderstood here. We
9 have not finally concluded or recommended to the Commission
10 that the license transfer is impermissible or permissible,
11 nor have we finally concluded or recommended to the
12 Commission that we can or cannot agree on acceptable
13 conditions.

14 But here is why we think it's necessary and
15 appropriate to talk about conditions. Again, I have to step
16 back a little bit for those of you that are not telecom
17 cognoscente. In February 1996, just a little over three
18 years ago, Congress passed the Telecommunications Act of
19 1996.

20 A fundamental goal of that Act was to bring to
21 local phone markets what had already occurred in long
22 distance telephone markets: robust competition from various
23 firms, deploying diverse facilities, the sort of competition
24 that made regulation of long distance markets obsolete.

25 The Commission's task under the new Act with

1 respect to local phone markets is both pro-competitive and
2 de-regulatory. If you're like me, the first time you heard
3 that phrase, you said it was redundant; pro-competitive and
4 de-regulatory, two ways of saying the same thing. Not so.

5 That is, we are to be pro-competitive and de-
6 regulatory in the sense that we are to foster competition,
7 choice and variety in local phone markets as has already
8 occurred in long distance markets, but not by micro-
9 managing; not by tightly overseeing firms' behaviors; not by
10 regulatory second-guessing of firm's choices.

11 Rather, the Commission is to achieve the
12 competitive goals of the Act by de-regulatory means. I
13 think understanding that feature is the key to understanding
14 why this merger has created problems for us. Our tentative
15 conclusion is that this proposed merger threatens our
16 ability to fulfill our statutory mandate in three ways.

17 First, it removes these powerful firms as
18 competitive checks on each other. Who is more likely to
19 effectively invade one Baby Bell's territory than another
20 Baby Bell. Who is more likely to sniff out subtle
21 discrimination by a Baby Bell than another Baby Bell, a
22 point I might add that was made by Judge Green in his
23 initial opinion in the breakup case.

24 Secondly, this license transfer and resulting
25 combination of the firms would in our view increase the

1 incentive of the merged firm to discriminate against
2 competitive newcomers to local markets.

3 Today, an upstart entrant firm that wants to
4 compete in Houston and in Chicago threatens SBC only once;
5 threatens SBC in Houston, but not in Chicago. After this
6 merger, SBC would be doubly threatened because it would now
7 own the entrenched phone lines in Chicago. And so it would
8 be doubly desirous of excluding its new rival by
9 discriminatory treatment and would be doubly willing to
10 invest resources in that kind of discriminatory behavior.

11 Third, this merger would greatly impair the
12 Commission's ability to achieve its pro-competitive ends by
13 de-regulatory means, making these increased opportunities to
14 discriminate that would have resulted from the merger even
15 more worrisome.

16 With a large number of disparate Baby Bells in
17 place, the Commission can "regulate" by following a best
18 practices approach, by observing a variety of responses that
19 each company will exhibit to entry within its territory.
20 When the Commission cannot observe best practices, what it
21 has to do is resort to establishing its own rules of
22 conduct.

23 Its own rules are not going to be based on
24 practical business experience, as are best practices.
25 Rather, its own rules may often require detailed

1 bureaucratic regulatory oversight: Do it this way and that
2 way and that way, and not those ways and those ways.

3 This is not the kind of de-regulatory commission
4 Congress called for in 1996. But this will be the probable
5 result of a merger that removes important potential
6 competitors from each other's list of restraining
7 influences, that increases the incentives to discriminate
8 against remaining rivals, and that undermines the
9 Commission's ability to avoid these harms by de-regulatory
10 best practices approach.

11 Finally, this merger offers no redeeming public
12 interest benefits. Now, let me be clear about this. To be
13 sure, the company's proposal to establish competitive
14 beachheads out of their market will help consumers. I'm not
15 completely out of my mind. No, that would be a public
16 interest benefit.

17 What it is not is a merger benefit. SBC and
18 Ameritech do not need to merge in order to compete outside
19 of their regions. A number of CLECs have demonstrated that
20 you don't need a market capitalization of 150 billion
21 dollars in order to build a Sonnet Ring in Boston.

22 Indeed, these firms are quite likely to compete
23 with each other outside their territories absent the merger.
24 There is no question that their national-local strategy will
25 benefit consumers. There is also no question that they

1 don't need to merge in order to carry out such strategies.

2 Finally, you sigh, I sigh, here we come to the
3 end. I think it bears repeating that to summarize the case
4 against this license transfer risks trivializing the case.
5 SBC and Ameritech are shortly going to offer a series of
6 pot-shots at what I have said. And as that great political
7 philosopher, Chuck Berry, says, "That's okay. This is
8 America. Do your own thing."

9 While they're offering these pot-shots, please
10 keep your eye on the main target as you listen to their
11 case. Every one of the arguments that SBC and Ameritech
12 propose is consistent with the proposition that we ought to
13 reassemble the old Bell System. Every claim they make says
14 there is nothing wrong with merging all the local phone
15 companies in this nation into one.

16 They want you to believe that if Congress had only
17 thought about it some more, Congress would have required
18 that all the Baby Bells merge before they passed the 1996
19 Act because then the Act would have been even more effective
20 in opening local phone markets.

21 Now, SBC is going to claim that there are other
22 reasons why you don't need to fear further consolidation
23 into one company. But their arguments for this merger are
24 the arguments that those of us who are old enough to
25 remember all heard in 1975 for retaining the Bell System;

1 arguments for regulated, monopolized telecom markets.

2 SBC and Ameritech are very comfortable in a world
3 of regulated, monopolized telecommunications markets. But
4 their rivals will not survive in those markets and their
5 customers would suffer there. The companies know this very
6 well. That's why they want to merge. That's the tentative
7 conclusion the staff has reached and it has led us to a
8 discussion of conditions that might ameliorate these
9 effects.

10 MR. ATKINSON: Let me just, therefore, close our
11 side of the discussion by just briefly discussing the
12 principles and goals that has been used by the FCC staff in
13 these discussions. In discussing the possible conditions
14 that might address the public interest concerns that Tom
15 Krattenmaker has just described, the FCC staff has kept some
16 simple principles and goals in mind.

17 First, some problems simply can't be solved by
18 conditions. If there are problems resulting from the loss
19 of one major competitor, that competitor is simply gone.
20 But second, conditions can do two things to tip the weighing
21 of the public interest issues in favor of allowing a merger
22 to proceed.

23 First, conditions can mitigate some of the
24 identified public interest harms so that the negative side
25 of the equation is simply smaller. Secondly, conditions not

1 directly related to the merger can add some additional
2 public interest benefits to the positive side of the
3 balance.

4 From this perspective, the FCC staff has been
5 keeping three goals in mind when we've been discussing
6 possible conditions proposed by the applicants. Goal one is
7 the conditions should encourage the applicants to become
8 vigorous, local competitors outside their traditional
9 telephone operating areas, the National-Local Plan that Tom
10 has just mentioned; but particularly for residential and
11 small business consumers who presently have little or not
12 competitive choice.

13 A second goal that the staff has been keeping in
14 mind is the conditions must substantially increase
15 facilities-based, local exchange competition that the
16 applicants face in their traditional local telephone
17 operating areas. Again, particularly for residential and
18 small business consumers which presently have little or no
19 choice.

20 In particular, these market opening conditions in
21 a region should facilitate rapid competitive entry,
22 eliminate any unreasonably start-up costs that the
23 applicants could impose on new competitors, and minimize the
24 applicants' ability to increase competitors' direct and
25 indirect long-term operating costs.

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1 The third goal that has been guiding us is to
2 prevent any back-sliding by the applicants after the merger
3 is closed; or stated a little more politely and positively,
4 the applicants should be encouraged to fully satisfy any
5 commitments they make in conditions.

6 With that, I would like to ask Mr. Mancini and Mr.
7 Hetke to summarize their opinions and views. Thank you.

8 MR. HETKE: Thank you, Bob. Tom now talked about
9 pot-shots. Now, you took a few pot-shots there. Were you
10 not raised in Quincy, Illinois, I think I would respond.
11 But my management wants me to stick to -- to prepared
12 comments. But --

13 MR. MANCINI: I'll take the pot-shots.

14 MR. HETKE: You'll take the pot-shots. Good
15 morning. For the third time, I am Dick Hetke of Ameritech.
16 Since the day the merger agreement was signed, I've been
17 given principal responsibility for coordinating Ameritech's
18 efforts to gain merger approval in all the various
19 regulatory forum: the DOJ, the FCC, the various state
20 public utilities commissions.

21 At the outset, I want to express my appreciation
22 to the FCC staff, Bob, Tom, Michelle Carry, Bill Dever, many
23 other FCC staff members who have participated in the
24 negotiations on an as-needed basis, for their time and
25 attention. I think the negotiations have been well

1 organized. They have been very productive. And I think
2 they've been very professional.

3 I think it would be very useful to summarize the
4 framework used by Ameritech and SBC in approaching these
5 discussions. First, we believed and we continue to believe
6 for that matter that this merger is pro-competitive and pro-
7 consumer. It represents the transformation of Ameritech and
8 SBC into a national and global telecom provider.

9 Secondly, Ameritech believes that this merger and
10 any issues or conditions can't be examined in a vacuum.
11 Both the antitrust laws and the FCC's public interest
12 standard requires systematic analysis of the marketplace,
13 both as it presently exists and as it is soon to exist in
14 the near future.

15 Third, I think it's obvious to even the casual
16 observer that the communications industry is undergoing
17 rapid and fundamental change on a scale really never seen
18 before.

19 Since last May when this merger was announced --
20 that's one year -- the FCC has approved at least a half
21 dozen multi-billion dollar mergers. And you know the names
22 as well as I do: MCI-WorldCom, AT&T-TelePort, AT&T-TCI,
23 Quest and LCI.

24 And at least ten more huge deals have either been
25 announced or are in the negotiation stage including -- and

1 you know these names, too -- AT&T-British TeleCom, VotePhon-
2 AirTouch, Deutsche-Telecom, Telecom-Italia and MediaOne-
3 AT&T. And now we're reading that TCI and MicroSoft are in
4 negotiations and may join forces.

5 As AT&T told this Commission only three months ago
6 in seeking approval for its mammoth joint venture with
7 British TeleCom, "The intensity of the competition is
8 starkly illustrated by the fact that long-established
9 telecom carriers and new entrants are announcing entry,
10 expansion, investment, successful bids and plans for
11 alliances on almost a daily basis.

12 Ameritech's chairman, Richard Notebaert, observed
13 in his address to the Commission last October that an
14 international business environment requires an international
15 communications infrastructure. That's fairly simple.

16 Corporations with worldwide business interests
17 increasingly seek the efficiency of a single provider for
18 all telecom services. To be competitive in this market,
19 communication providers must have significant global reach,
20 a large customer base, and immense technical, financial and
21 managerial resources.

22 We have concluded, as AT&T's president suggested
23 in March, that you are only ultimately going to see two
24 types of companies: those that go global and those that go
25 bankrupt. We would prefer to be global.

1 We believe that no conditions should be imposed on
2 this merger because it has no anti-competitive consequences.
3 We simply want to compete on a national and global basis.
4 Indeed, this transaction we feel is necessary in order to
5 permit us to increase and enhance the services we offer;
6 expand to new areas, both domestically and internationally,
7 and most importantly, to maintain and expand reasonably
8 priced, state of the art, in-region services to all of our
9 customers, business and residential.

10 In a word, this merger is about growth which is
11 why, among other reasons, the merger has been endorsed by
12 the AFL-CIO, the CWA and the IBEW.

13 We recognize, however, that some may disagree with
14 our analysis. Therefore, we began talks prepared to address
15 specific conditions that the staff might propose. Our
16 consideration of any proposed conditions are really driven
17 by certain basic principles, none of which we believe is
18 particularly controversial.

19 First, conditions must be linked to specific
20 identifiable competitive harm. Speculation about
21 theoretical harm cannot be a substitute we feel. Second,
22 any proposed conditions must be narrowly tailored to remedy
23 one of the identified specific harms. Overly broad or
24 punitive conditions really serve no legitimate purpose.

25 Third, negotiated conditions must address only

1 perceived harm resulting from the merger. Our merger
2 discussions with the Commission should not become a forum
3 for resolving all FCC proceedings or all pending issues
4 existing between third parties in either one of the merger
5 partners.

6 Fourth, any conditions imposed should be
7 competitively neutral. And by that, I mean that they should
8 not favor one group of competitors versus another.

9 Finally, and there is a finally here, the process
10 for negotiating conditions should be a fair one compared to
11 the methods and procedures used in reviewing other mergers.
12 In essence, we seek equal treatment with respect to review
13 procedures, burdens of proof, penalties and the probative
14 way to sign to our promises and our commitments.

15 Now that I've explained the framework within which
16 we approach these negotiations, I want to summarize very
17 briefly at staff's request the universe of areas in which
18 we've held discussions regarding possible conditions. And I
19 have underlined here in my speech, possible conditions.

20 They fall into really three principal categories.
21 We've spent a lot of time discussing issues and discussing
22 proposed conditions relating to opening up of markets. Sub-
23 topics have included access to unbundled network elements
24 including combinations of UNEs and various issues concerning
25 intellectual property rights.

1 We've also talked about a wide range of OSS issues
2 including access to OSS, enhancements of OSS interfaces and
3 performance testing for OSS, a topic very much in the news.
4 We've also talked about the resale of telecom services,
5 access to shared transport, provision of advanced
6 telecommunication services, co-location, and access to
7 multiple dwelling units or so-called MDUs.

8 Other parts of our negotiations and discussions
9 have centered around the national-local strategy which SBC
10 and Ameritech have told you a lot about in the last year.
11 We've discussed the timing of the roll-out for the national-
12 local business plans and the nature of the roll-out in each
13 geographic market.

14 And the third cluster of issues and proposed
15 conditions have related to enforcement and enforcement
16 mechanisms. We've discussed performance measurements,
17 benchmarking, compliance plans for merger commitments, and
18 possible payments for non-compliance with these commitments.

19 I want to re-emphasize, as I think Bob and Tom
20 did, that no agreement has been reached on the number of
21 conditions or their nature or any package of conditions. It
22 still is a work in progress, notwithstanding all of our
23 considerable efforts.

24 We hope the in evaluating the proposals today and
25 the statements made by many of you in the next few hours

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1 that the Commission will keep in mind several points.
2 First, any perceived harms -- and we don't think that there
3 are any harms resulting from this deal -- must be weighed
4 against the many demonstrable benefits accruing from the
5 merger.

6 Second, conditions attached to a merger should not
7 and cannot, as I think Bob and Tom have mentioned, solve
8 every problem in the industry. Finally, before creating
9 another waive of regulatory conditions, remember that SBC,
10 Ameritech and their operating companies are already subject
11 to pervasive regulation for many regulatory entities
12 including the FCC. Keep in mind, at least one of the goals
13 of the '96 Act was deregulation.

14 Let me close by pointing out that in a few days,
15 it will be one year since this merger was announced. And
16 virtually all the policy-makers and the industry observers
17 agree that the merger review process in this rapidly
18 changing industry needs to be accelerated. There is I think
19 quite a bit of agreement on that point. Further delaying
20 the approval process works a severe hardship on Ameritech
21 and SBC for that matter.

22 In conclusion, our shareholders, our employees and
23 our customers are all anxious to enjoy the many benefits
24 flowing from this merger. Hopefully their wait is soon to
25 end. Thank you. Paul.

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1 MR. MANCINI: Good morning. I'm Paul Mancini,
2 Assistant General Counsel of SBC. Before I get into my
3 substantive comments, I would like to second what Dick said
4 and express our appreciation for Tom and Dick and Bill and
5 Michelle. These negotiations have been -- have been
6 difficult, but very professional, very cordial.

7 We -- as you will tell from my comments, there are
8 still a number of areas where -- where we disagree on the
9 merits. They won't be pot-shots. These will be well
10 reasoned, intellectual arguments.

11 (Laughter.)

12 MR. ATKINSON: I believe that's a pot-shot.

13 (Laughter.)

14 DR. KRATTENMAKER: In D.C., they're called pot-
15 shots.

16 MR. MANCINI: When we first announced the SBC-
17 Ameritech merger in May of last year, we said that this
18 merger was driven by the needs of our customers and by
19 increasingly rapid changes in technology and in the market.
20 Competitors around the nation and around the world are
21 racing to assemble the pieces and build the scale and scope
22 economies that are necessary to compete in an exploding
23 global telecommunications marketplace.

24 SBC has to be in a position to compete more
25 effectively, to better serve its customers, and to offer its

1 largest customers one-stop, full service shopping for
2 telecommunications services, not just in Dallas, not just in
3 the United States, but around the world.

4 We believe that the claims we made about this
5 merger when it was announced over 12 months ago were fully
6 supported and justified. But I have to say, in retrospect,
7 those claims were wildly understated. In the intervening
8 year, the whole telecommunications market and the relevant
9 debate about our merger have shifted more rapidly and
10 dramatically than we could ever have imagined.

11 In the 12 months since we announced our merger,
12 the national and global telecommunications market has
13 undergone an unprecedented series of acquisitions,
14 consolidations, joint ventures and alliances. Within the
15 U.S., AT&T has completed or announced no fewer than six
16 major mergers or alliances.

17 I won't elaborate on AT&T's acquisition of
18 TelePort, the nation's second largest CLEC; of Vanguard
19 after -- of course after having previously purchased McCaw,
20 the nation's largest cellular company; or of acquiring IBM's
21 Global Data Network.

22 Far more important, AT&T has acquired TCI, the
23 nation's largest cable operator. And through TCI, it now
24 controls At Home, the nation's largest cable operator. And
25 through TCI, it now controls General Instruments which makes

1 the set-top box for interactive broad band cable offerings.

2 It is also partnered with Time Warner to provide
3 cable telephony, and it has just announced this week its
4 intention to buy MediaOne. If and when this stunning binge
5 of acquisitions is completed, AT&T will own or control more
6 than 60 percent of the nation's cable lines, a footprint
7 far, far larger than we will control even after this merger.
8 Now we are talking big. Now we are talking breath-taking
9 developments.

10 AT&T will be the largest cable company, the
11 largest inter-exchange carrier, the largest cap and the
12 largest wireless company in the country. Yet even AT&T
13 considers and acknowledges that it is not big enough to
14 compete on the global -- in the global market. And it has
15 partnered with BT, the world's largest foreign telephone
16 company, in order to provide global, one-stop shopping.

17 Yet amazingly, AT&T is one of those who will tell
18 you today that SBC and Ameritech do not need to merge to
19 become national and global competitors. In fact, if AT&T
20 has a speaker here to oppose the merger, he should be given
21 a standing ovation for pure chutzpa.

22 (Laughter.)

23 Nevertheless, AT&T and its supporters will tell
24 you that SBC and Ameritech should go it alone. Well, AT&T
25 is not going it alone. And neither is MCI-WorldCom, or I

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1 should say MCI-WorldCom-Brooks Fiber-MFS-UUNet-NEXTEL-
2 CompuServe, to say just a few of MCI-WorldCom's most recent
3 acquisitions and alliances.

4 And neither is Bell Atlantic-GTE, or Bell South-
5 Quest, or Sprint with its alliances with France or Deutsche
6 Telecom. The point of all of these mergers and alliances
7 that have transpired in the last year is not just that big
8 is better.

9 The point is that the telecommunications market is
10 not only bigger, but changing dramatically. The national
11 and global market in fact is vast and presents enormous
12 challenges beyond the resources of any one company that
13 wants to compete on a national or global basis.

14 Every one of the major U.S. competitors, as well
15 as Deutsche Telecom, France Telecom, Telephonica, NTT and
16 the other foreign carriers are pursuing the same exact
17 strategy that SBC wants to pursue; namely, becoming an
18 integrated, single distance, national and global competitor
19 by acquiring the needed scale, scope, networks, customers
20 and employees.

21 Yet many of these same competitors will argue
22 today that the sky will fall if SBC is allowed to compete
23 against them in national and global markets.

24 It must also be recognized that the challenge for
25 the new SBC-Ameritech to become a national global

1 competitor, to compete against the likes of the companies
2 that I just mentioned, foreign and domestic, is going to be
3 much greater than any of those other companies because we
4 will have great difficulty overcoming their current
5 advantages.

6 When our competitors and opponents today paint the
7 picture of SBC as King Kong, ready to trample the poor
8 little national and global competitors, keep in mind we
9 don't have a national brand name here or abroad. We don't
10 have customer relationships around the United States or
11 world. We don't have facilities throughout the country or
12 the world. We don't serve the high value business customers
13 in the major metropolitan states throughout the 50 states.
14 We don't offer local service in the vast majority of the
15 states. And we have zero market share in the long distance
16 market.

17 In response to Tom's comment about we believe --
18 or some people believe that we're recreating the Bell
19 System, I mean, there could be nothing farther than the
20 truth. Just -- I just want to -- as an aside, let's
21 remember that the Bell System had a monopoly on local, a
22 monopoly on long distance, and a monopoly in equipment
23 manufacturing.

24 We have zero market in long distance, zero
25 equipment manufacturing, and we operate at most after this

1 merger in 13 states. And I'm going to talk about the other
2 changes which have occurred. But that's -- we're not trying
3 to recreate the past. We're trying to create a twenty-first
4 century telecommunications company.

5 Now, SBC can be forced to sit on the sidelines and
6 watch its revenue base decline or it can aggressively move
7 to be in a better position to serve its customers and to
8 expand on a national and worldwide basis to meet the needs
9 of its largest customers. Just one percent of our large
10 customers account for as much as 18 percent of our total
11 revenues.

12 These are the customers that are most likely to
13 demand one-stop shopping and the most sophisticated
14 services. And they will and they are defecting today to
15 carriers who can meet their full-service needs such as AT&T
16 and Sprint and MCI and WorldCom and CLECs, and soon the
17 foreign carriers that are poised to enter the U.S. market.

18 Neither SBC nor Ameritech can passively afford to
19 accept these types of losses and still be in a position to
20 cover its fixed costs, to compete effectively, and to
21 continue to provide low-cost service to residential and
22 small business markets. SBC and Ameritech do not intend to
23 sit on the sidelines however much our competitors and the
24 opponents of this merger might prefer that.

25 While I am sure that you recognize why the

1 competitors don't wish to face a larger, stronger, more
2 competitive SBC, that does not mean that the Commission
3 should protect those competitors from competition that we
4 all agree is a positive force in the telecommunications
5 market.

6 Our opponents of this merger want the Commission
7 to disregard everything that has happened in the
8 telecommunications market in recent years. Our opponents
9 want the Commission to ignore the unprecedented
10 consolidation and globalization that is occurring. They
11 want to ignore that there is a whole class of nimble, well-
12 financed competitors that have emerged in recent years.

13 They want to ignore that the exclusive local
14 franchise is gone. They want to ignore that the local
15 market is increasingly open to competition, and they want
16 this Commission to ignore the fact that it has approved an
17 avalanche of far-reaching mergers involving our competitors
18 without imposing any of the types of anti-competitive
19 conditions that our opponents now say should be imposed on
20 this merger.

21 In effect, some competitors and opponents want to
22 view our merger by looking backward and assessing it against
23 market conditions that existed in 1984 or 1996, and not
24 against the market that actually exists today.

25 Now, in an attempt to derail this merger,

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1 competitors and other opponents have seized upon three
2 arguments that can best be described as tenuous. And I will
3 briefly discuss those three and Tom briefly summarized those
4 tentative theories.

5 First, opponents have raised the so-called
6 negative spill-over or big footprint theory which was
7 primarily espoused by Sprint and AT&T, but which apparently
8 has been abandoned recently for obvious reasons by Bigfoot
9 AT&T.

10 (Laughter.)

11 The confused logic of this theory -- I want you to
12 hear this theory and I want you to listen to this theory.
13 This theory suggests that the marginal benefits of
14 discriminating against CLECs such as AT&T and Sprint and
15 MCI-WorldCom, who operate on a national basis and who serves
16 business customers who are located in multiple locations
17 will somehow increase as SBC's base of operations increase.

18 Now, let me explain that in plain language. In
19 other words, this speculative theory is based on the
20 unsupported theory that SBC will have an increased incentive
21 to degrade service to AT&T and Sprint's business customers
22 in Dallas because it will receive some spill-over benefits
23 to Ameritech in Chicago and, hence, discourage AT&T or
24 Sprint from entering or expanding in Chicago.

25 Now, the chief weakness of this purely theoretical

1 concern is that even its proponents acknowledge that it is
2 purely speculative, academic, and has no supporting
3 empirical evidence. In fact, the empirical evidence, not
4 speculation, but hard evidence from the Bell Atlantic-NYNEX,
5 and from the SBC-Pactel mergers is precisely to the
6 contrary, showing no decline in CLEC activity and no valid
7 complaints of discrimination since those mergers.

8 This theory also ignores the huge costs of CLECs
9 that they've already placed in the ground and the fact
10 that -- and this is critical -- the fact that such alleged
11 discrimination to be effective -- think about this -- to be
12 effective would have to be obvious to and detected by
13 customers, by CLECs, and regulators, thus making such
14 discrimination totally ineffective and counter-productive.

15 No PUC, neither the DOJ nor the FCC has ever
16 relied on such speculative, unsupported theory to condition
17 a merger, let alone deny it.

18 Now, a second alleged harm is the loss of
19 potential competition by Ameritech and SBC against one
20 another. But as the internal documents of SBC have shown,
21 there was no SBC plan either in the near-term or the long-
22 term to enter Ameritech's markets. Proponents of this
23 theory also completely disregard the fact that any
24 speculative concern about potential competition has been
25 remedied by the announced sale of Ameritech's cellular

1 properties in Chicago and St. Louis to GTE.

2 Not only will GTE step into the shoes of Ameritech
3 in both Chicago and St. Louis, but GTE possesses all of the
4 attributes that our opponents find so appealing in SBC and
5 Ameritech as potential competitors.

6 In addition, the number of truly actual and
7 potential competitors in Chicago and St. Louis makes the
8 prospects of solo entry by either company in either of those
9 markets just so remote to completely not support any
10 plausible claim of harm.

11 But even more importantly -- and this is
12 critical -- the opponent's potential competition argument
13 has been thoroughly and positively resolved by the U.S.
14 Department of Justice which closed its investigation of this
15 merger and that matter with the divestiture of the cellular
16 properties to GTE without imposing any other conditions.

17 As a result, there is simply no factual or legal
18 basis for the FCC to use potential competition argument to
19 condition or deny this merger.

20 Finally, our opponents decry the loss of a
21 regulatory benchmark, comparing SBC's performance to the
22 separate performance of Ameritech. But in fact, such RBOC-
23 to-RBOC comparisons are not used by regulators in the way
24 our opponents suggest. BOC-to-BOC, BOC to its subsidiaries,
25 and state-to-state comparisons are more useful and will

1 continue to be available after the merger.

2 In other words, there will be no loss of
3 benchmarking information with regard to the critical sources
4 of benchmarking. In any event, the critical comparisons
5 that today are between how an ILEC or a BOC treats itself
6 and how it treats other CLECs. And there are established
7 benchmarks and performance criteria that exists and will
8 continue to exist and will expand in the future.

9 In effect, the benchmarking argument is simply not
10 a valid or reasonable basis to deny or condition this
11 merger. Indeed, it is telling that our competitors made the
12 same exact arguments against the SBC-Pactel merger that they
13 are making today about the SBC-Ameritech merger.

14 They claimed two years ago that the SBC-Pactel
15 merger would result in a decline in service, disinvestment
16 in a network, an increase in prices, a decline in jobs, and
17 it would lead to discrimination and impeded competition.

18 The facts -- and I'm talking the facts; not rumor,
19 not speculation -- demonstrate that not a single one of
20 those predictions have come true. The facts are that
21 employment in California has increased by more than 4,500
22 jobs since the Pactel merger. Service has improved.
23 Investment in a network has increased. Basic rates have not
24 increased. Tariff prices have been reduced by more than 440
25 million dollars. And discrimination has not occurred.

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1 Moreover, by any measure, there is more
2 competition in California than in any other state and that
3 competition has flourished since the SBC-Pactel merger.
4 Indeed, we have and will continue to urge the Commission and
5 the staff to take into account this real life track record
6 in evaluating the claims of our opponents and in determining
7 the types of real consumer, public interest benefits that
8 are likely to result from the SBC-Ameritech merger.

9 In addition to those same types of consumer and
10 competitive benefits that resulted from the SBC-Pactel
11 merger, one of the biggest benefits of this merger lies in
12 the national-local strategy through which we will become a
13 facilities-based, local exchange carrier serving both -- and
14 I emphasize both -- residential and business customers in
15 the 30 largest, out-of-region markets.

16 No CLEC, no carrier has to date committed to such
17 a broad-scale, national strategy that will offer a
18 facilities-based service not only to business, but to
19 residential customers on a broad scale. There can be no
20 dispute that the national-local strategy is in the public
21 interest and it will generate real benefits to consumers and
22 competition around the country.

23 Because SBC has delivered on its commitments that
24 it made regarding the SBC-Pactel merger, and because of the
25 substantial benefits that will result from this merger, more

1 than 190 unions, business organizations, newspapers,
2 minority groups and elected officials have voiced their
3 support for this merger, making it one of the most broadly
4 supported mergers ever.

5 Now, not all of these entities and individuals
6 will be heard over the next two days. But their support is
7 genuine. And it's routed in fact. And they should not be
8 drowned out by competitors' predictable, but self-serving
9 arguments to the contrary.

10 Now, SBC and Ameritech continue to believe
11 strongly -- and we will continue to try to convince the
12 staff to change their tentative conclusions -- that there is
13 no evidentiary basis to find any merger-related competitive
14 or public interest harms that have not already been
15 addressed by the DOJ consent decree. We will continue to
16 try to convince the staff that the benefits of this merger,
17 as well, are real and significant and far out-weigh any
18 speculative concerns.

19 But with regard to conditions, we -- we do want to
20 emphasize that the whole point of conditions is to address
21 genuine harms that have been proven by a preponderance of
22 the evidence. If the harms are illusory or speculative,
23 conditions are not required. Never -- excuse me.

24 Nevertheless, you'll be hearing a lot about
25 proposed conditions during the next two days. Some

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1 conditions will be reasonable; others Draconian and
2 punitive, as well as non-merger related.

3 Still other non-merger related conditions such as
4 requiring us to obtain 271 relief in any SBC or Ameritech
5 states or driving access charges to Telrec prior to the
6 merger are simply poison pills designed by competitors who
7 wish to kill the merger in order to keep a competitive SBC
8 out of their markets.

9 I would like to stress, however, that SBC and
10 Ameritech are willing to make reasonable commitments that
11 are narrowly tailored to address the Commission's specific
12 merger-related concerns. And Dick identified in some detail
13 the basic principles that should guide the development of
14 any proposed conditions or commitments.

15 And if the Commission and the staff concludes that
16 some conditions are required based on our discussions with
17 Tom and Bob and the FCC staff, we believe that a reasonable,
18 balanced set of conditions can be crafted that will be
19 acceptable to the Commission, to SBC, and to Ameritech.

20 However, any conditions must be tailored to
21 address a demonstrated merger-related harm. They must be
22 reasonable. They must be fair. They must be financially
23 acceptable. And they must not destroy the ability of the
24 merged company to serve its customers and to compete
25 effectively in the future.

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1 In addition, whatever the Commission ultimately
2 decides to do in general proceedings about access charges,
3 about 271 relief, about the UNE platform, about Telrec
4 pricing, about advanced services and other matters, SBC and
5 Ameritech will obviously comply with those general rules
6 that apply to the industry as a whole.

7 But the SBC-Ameritech license transfer proceeding
8 should not be used to pre-judge and to resolve all
9 outstanding FCC proceedings, or to solve all the perceived
10 problems of the telecommunications industry. The only
11 proper focus of this proceeding is on the specific license
12 transfers that give the Commission its jurisdiction over
13 this merger and any proven harms that may arise from those
14 license transfers.

15 While we continue to believe strongly that no
16 conditions are required, SBC and Ameritech are prepared to
17 make reasonable commitments as are necessary to reassure the
18 Commission that this merger is good for consumers and will
19 be good for competition. Thank you.

20 DR. KRATTENMAKER: Thank you very much. The -- I
21 am now going to explain the ground rules for this session.
22 And the first thing I wanted to explain is that the
23 representatives from SBC and Ameritech decided that they
24 would prefer to participate from the audience. So we are
25 not to read any pot-shot or any -- anything into the fact

1 that they are now going to depart the dias. Thank you,
2 Paul, and thank you, Dick.

3 We thought it was necessary in order to talk about
4 conditions to have a sense of where we are coming from
5 substantively. But we are really now at the point where I
6 suppose ideally we wish we had started an hour ago, that is
7 to hear from you and to talk about possible conditions for
8 the merger. I hope when you talk, you will focus on the
9 conditions issue and that we will turn this over to you.

10 There are some people that -- first of all, that
11 you need to know to help work through the rest of this
12 proceeding. Two of them were referred to before. Sitting
13 at the second table over here, Michelle Carey, the Deputy
14 Division Chief of the Policy and Rules Division of the
15 Common Carrier Bureau.

16 And to her right, our left, Bill Dever who is the
17 team leader for the team that is reviewing the SBC-Ameritech
18 merger application -- license transfer application, and have
19 also very kindly done the -- a lot of the logistical work in
20 arranging this. And if you have questions about when you
21 would speak or what the rules are, Michelle and Bill would
22 be the people to talk to.

23 The secretary's office -- and hopefully right now
24 it's Ruth Dansey or other people -- are going to provide
25 time-keeping service for us. And Ruth is going to be the

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1 most important person in your future for those of you who
2 are about to -- to talk to us.

3 I would like to discuss ground rules a little bit.
4 The -- we are here because we want to hear you. That's what
5 brought us here. Bob and I already knew what we were going
6 to say and we knew what they were going to say. This is the
7 part that we've been looking forward to.

8 While we want to hear you, there are many of you.
9 So for each of you to have an opportunity and to have a
10 reasonably decent opportunity, we all have to obey certain
11 ground rules. The first is that each speaker is going to be
12 confined to five minutes.

13 Ruth will -- Ms. Dansey will give you a signal at
14 the beginning. You'll be shown a card. When you start,
15 there will be a card that shows you that you've -- that
16 you've begun. Then she will switch to another card when
17 there is one minute remaining, and another when the time is
18 up.

19 When you have one minute remaining, that is the
20 signal to start wrapping up. When the signal that your time
21 is up comes up, that is not the signal to start wrapping up.
22 That is the signal that you are to leave, thank you.

23 (Laughter.)

24 And don't take it personally. It's to try to give
25 everybody an equal opportunity. If -- you know, if you

1 think that you need seven minutes, then you tell me who only
2 needs three who is right behind you.

3 Please feel free, indeed encouraged, to submit
4 written comments. We are going to listen to everything you
5 say today. And there will be a transcript. And it will be
6 on the videotape. But nothing is more permanent or more
7 riveting than written comments. Bob Atkinson gave you the
8 number of the docket. You can also get that from Michelle
9 or from Bill, from the secretary's office.

10 And we welcome your written comments. They do not
11 go into the circular file. They are read and digested very
12 carefully I can assure you.

13 When you come up, I ask you, would you please
14 state your name and affiliation clearly for the audience and
15 for the people who are doing closed captioning for those.
16 Through the miracle of modern technology, this is being
17 closed captioned by people who are sitting in Pittsburgh.

18 Speak -- you don't have to speak so loudly they
19 can hear you all the way in Pittsburgh. But you've got to
20 speak clearly so that it goes over the line so they can hear
21 because they want to add your name to the closed captioning.

22 If you or your organization are in turn sponsored
23 by or paid for by a party to this proceeding, we welcome
24 your disclosing that fact should you choose to do so. You
25 could look at the list that was handed out at the door, at

1 least those of you who are speakers, and you see where you
2 are on the list.

3 I hope that you will be prepared to come up when
4 the person -- when the person in front of you is finished.
5 That is, look at the list, know when it's your turn, and be
6 prepared to come up. There is one exception to the list
7 that we have here, or I suppose I should say there are two
8 exceptions.

9 First of all, as the list indicates, as is
10 customary with Commission and bureau proceedings, we would
11 hear at the outset from any present governmental officials
12 who wish to speak. And I'll call for them in a moment.

13 Secondly, SBC and Ameritech have arranged for a
14 number of individuals not affiliated with either company to
15 speak here today. And in an attempt to accommodate the
16 travel schedules of some of these individuals, SBC and
17 Ameritech asked that these individuals be permitted to swap
18 spots in the line-up. And we are willing and indeed happy
19 to permit such swaps.

20 So any speaker in the line-up who wants to swap
21 with another speaker is allowed to do so. I will call the
22 speakers in accordance with the published list or if I run
23 out of air, Bob Atkinson will call them in accordance with
24 the published list. If you have swapped your spot, the new
25 speaker should please come up and identify that fact and

1 identify who has swapped with whom.

2 Otherwise, if there is no response when we call
3 the name of the party, we will pass on to the next person.
4 That person will still be invited to file written comments.
5 But it will be deemed to be the decision not to appear to
6 testify in -- in person.

7 Because we are all here to learn and particularly
8 because Bob Atkinson and I are here to learn, we may ask
9 questions. But we're not going to answer questions. In
10 order to conserve your time, we're going to try not to ask
11 many questions. But we are not intending to have this be a
12 session in which -- in which questions are asked of the
13 Common Carrier Bureau.

14 Finally, I want to say again thank you for coming.
15 Every one of you I know went to some trouble, a lot of you
16 went to a lot of trouble to come here. And we appreciate
17 the fact that you've done that. And -- and we are going to
18 listen with care to what you have to say.

19 Our first -- have I covered the material -- it
20 wouldn't be a bad idea if the people who were to be next
21 occupied some chairs up front. It will make things go more
22 smoothly. Thank you, Bob. Sort of an on-deck circle up
23 here at the front left.

24 Our -- in that regard, our first listed speaker
25 will be from the U.S. Hispanic Chamber of Commerce. I'm